

## **General Education Modernization Project (Component 1- Provincial Part) - 2023**

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The audit of the financial statements of the General Education Modernization Project (Component 1- Provincial Part) for the year ended 31 December 2023 comprising the statements of financial position as at 31 December 2023 and the statement of expenditure and cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions in the loan agreement No. 6228 LK dated 25 July 2018 entered into between the Democratic Socialist Republic of Sri Lanka and the International Development Association (IDA).

### **1.2 Implementation, Objectives, Funding and Duration of the Project**

According to the Loan Agreement of the Project, the Ministry of Education is the Executing Agency and Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government (MPAHAPCLG) is the coordinating Ministry for the provinces and Nine Ministries of Provincial Education are the Implementing Agencies of the Project. The objective of the Project is to enhance quality and strengthen stewardship of the general education system. As per the Loan Agreement, the estimated total cost of the Project was US\$ 100 million equivalent to Rs.15,505 million was agreed to be financed by IDA. The Project had commenced its activities on 30<sup>th</sup> August 2018 and scheduled to be completed by 30<sup>th</sup> June 2024.

### **1.3 Opinion**

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2023, statement of expenditure and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **1.4 Basis for Opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

## 1.6 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Project.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 2. Physical Performance

### 2.1 Physical progress of the activities of the Project

<b>Audit Issues</b>	<b>Response of the Management</b>	<b>Auditor's Recommendations</b>
The student in the grade 10 and 11 of 04 schools in North Western Province were tested, the average marks obtained by those students in the two subjects of English and Mathematics in the years 2022 and 2023 are less than 41 per cent and they have not been able to reach the first two Disbursement Linked indicators as expected by the project.	English units like this will be a great help for children to develop a language like English in particular. But kindly inform that the ability cannot be measured by exams and the practical knowledge of mathematics is also in a similar situation.	Actions should be taken to achieve the objectives of the project.

## 2.2 Matters in Contentious Nature

<b>Audit Issues</b>	<b>Responses of the Management</b>	<b>Auditor's Recommendation</b>
(a) An amount of Rs.6 million was spent in the year 2022 on the purchase of laptop computers for subject directors of southern province. However, these laptops had not been used to achieve the objectives of the project directly.	Computers and other electronic equipment's distributed for Mathematics laboratories and to use English and other subject areas had been used as DLI.	Expenses incurred should be comply with project DLIs
(b) Although the objectives and targets of the project is to enhance the quality and strengthen stewardship of the General Education System, an amount of Rs.31 million was spent from year 2020 to 2023 for the purchase of agricultural equipment, sports equipment, home science equipment and Aesthetics equipment of North Western province.	Total School Quality Assurance and improvement of school quality was targeted by facilitating libraries, agriculture units, sports units, home science units in schools. For this, the approval of the project and the Secretary of the Chief Ministry as well as the Chief Secretary have been received.	-Do-
(c) It was observed in the audit that the 10 functional desk sets purchased by the Provincial Department of Education and delivered to the Mannar Zonal Education office on 25 October 2023 and 121 teacher's chairs provided on 22 March 2024 had not been used for the intended purpose and had been stored in the Zonal Education Office due to the non-adjustment to the Technical Specification and various defects.	No comments have been made.	The furniture that is not in accordance with the technical specifications should not be accepted and the furniture should be rearranged according to the technical specifications and utilized.
(d) 50 laptops for students given on 12 December 2023 to J/Puttur Somaskantha Vidyalaya and J/Urumpirai Saivathamil Vidyalaya 25 each were remained unused till 11 June 2024.	-Do-	-Do-

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| (e) | Although the main beneficiaries covered by the project's DLI's are the school students and the Academic and Management Staff who are its direct beneficiaries, apart from that an amount of Rs.54 million spent by the education department of North Western province and zonal offices on purchasing Computers, Tab, Printers, Photocopiers and Furniture from 2019 to 2022. | These printers have been provided to systematic the salary payment of school teachers and it has informed the motivation of the teachers, the effectiveness and efficiency of the learning process.<br><br>Photocopiers, computers, wooden furniture, laptops have been deployed to facilitate the planning and efficient development of the education and capacity building of students and teachers and to strengthen the process of proper management, monitoring and supervision. | Funds of the project should be aligned with the Disbursement Linked Indicator (DLI).  |
| (f) | An amount of Rs.24 million was paid by the education department of North Western province and zonal offices from the project fund for the renovation and repairs of teacher's quarters and principal's quarters, however, there was no allocation from any Disbursement Linked Indicator (DLI) for those activities.  | It has been informed that the approval has received from the project and all other authorities according to the justification reports.  | Provision should be made according to the Disbursement Linked Indicator (DLI) and expenditure should not be incurred without provision. |

### 2.3 Defects in Contract Administration

<b>Audit Issue</b>	<b>Response of the Management</b>	<b>Auditor's Recommendation</b>
(a) <u>Wariyapola English and Mathematics Development Centre</u>		
(i) Although 19 mathematics programs were conducted from 7 July 2023 to 27 September 2023, mathematics equipment was not provided for this centre and the right lecture hall on the upper floor and the section reserved for English programs on the lower floor were not provided with seating facilities.	It has been informed that the purchase of those items has been included in the 2024 GEMP plan by taking the requirement documents of the officer who has been appointed at that place.	Necessary equipment for conducting programmes and seating facilities should be provided.

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| (ii) | The contract was awarded at a cost of Rs.4.6 million for laying interlock stones and water tank holder. It was not done in such a way that the rain water flows properly when laying the interlock stones and the ground behind the building was not prepared for proper drainage of rainwater.    | Supervision is done by the Engineering Department. The Provincial Engineering Department has been informed in this regard.  | The supervising engineer should be held responsible for not keeping the stone catchment up to standard and the land should be prepared for rainwater drainage. |
| (b)  | A contractor had been selected through the procurement process for the construction of a 30*25 feet library for Ralapanawa Kanishta Vidyalaya for Rs.9.3 million and according to the agreement, the work was to be completed on 02 May 2023. But the work was not completed till 11 October 2023. | According to the agreement, the work was to be completed on 02nd of May 2023, and then an extension of 22 days has been given till 24th of May 2023. Informing that, it has been informed in the letter of the Provincial Education Director No. W/Adhya/Pagi/18/Viga/22/2022 and dated 30th December 2023, after 25 <sup>th</sup> of May 2023 late fees will be charged up to the maximum limit. | The work should be completed and follow-up should be done regarding recovery of late charges.  |
| (c)  | Apart from the project objectives, Rs.7.2 million of the project money had been spent on the construction of a water supply system and a security guard room for the Pambala Education Development Centre.   | As this centre will be of great help in the promotion of subject development programs related to DLI 1, 2 as well as all other DLIs of the GEM project, this centre was developed in relation to those DLIs.  | Expenses incurred should be comply with project DLIs   |

### 3 . Financial Progress of the Project

Audit Issues	Response of the Management	Auditor's Recommendations
According to the Project Appraisal Document, total amount US\$ 83.12 million equivalent to Rs.26,924 million had to spent for project activities at end of the year under review. However only Rs.8,697 million had been spent as at 31 December 2023. Cumulative Financial Progress of the project is 32.30 per cent.	No comments have been given.	Action to be taken by the executing agencies to cover the delays.

**4. System and Controls**

<b>Audit Issue</b>	<b>Response of the Management</b>	<b>Auditor's Recommendations</b>
(a) Although funds had been received separately for the project, basic books and accounts required for preparation of financial statements had not been maintained properly.	Provincial officials were informed to maintain separate books of accounts for the project.	Action should be taken to maintain books and accounts properly.
(b) Failure to follow up on utilization of equipment after distribution.	All principals have been informed to fully utilize the equipment and instructions were issued to carry out monitoring activities through Regional Educational Offices.	Follow up procedures should be carried out timely by responsible parties.
(c) Although the internal audit of the project is expected to be carried out by the internal units of the Ministry of Health, Ministry of Public Administration Home Affairs, Provincial Councils and Local Government and Provincial Education Authorities as per paragraph 19 of Annexure 01 of the Restructuring Paper, the internal audit work of the project had not been done as such.	The local government authorities had been advised.	Arrangements should be made to carry out internal audits.